



Bank Reports

FIL-36-2004
March 31, 2004

TO: CHIEF EXECUTIVE OFFICER
(also of interest to Preparers of FFIEC Reports of Condition and Income)

SUBJECT: Proper Use of Schedule RC-O Line Items 8(a)1, 8(a)2, and 8(b)

Summary: *The FDIC is reissuing guidance to clarify the proper use of Schedule RC-O Line Items 8(a)1, 8(a)2, and 8(b) in the quarterly Call Report. These line items are completed by "Oakar" banks.*

The Federal Deposit Insurance Corporation (FDIC) is reissuing the guidance it originally provided on October 1, 1997 (FIL-101-97), regarding Schedule RC-O Line Items 8(a)1, 8(a)2, and 8(b) in the quarterly FFIEC Report of Condition and Income (Call Report). These line items are completed by so-called "Oakar" banks - that is, banks that pay a portion of their quarterly deposit insurance assessment to both insurance funds.

Line Items 8(a)1, 8(a)2, and 8(b) are used by the FDIC to calculate an Oakar bank's adjusted attributable deposit amount (AADA). The AADA serves as the base on which an Oakar bank's payment to the other ("secondary") insurance fund is computed.

"Oakar" Banks

An "Oakar" bank is a bank that belongs to one insurance fund, generally the Bank Insurance Fund (BIF), and has acquired deposits insured by the secondary insurance fund, generally the Savings Association Insurance Fund (SAIF), by means of a so-called "Oakar transaction." The most common Oakar transaction occurs when a BIF-member bank acquires deposits from a SAIF-member thrift, either by means of a whole-institution acquisition (merger/combination/consolidation) or through a branch acquisition.

Other examples of Oakar transactions include:

- a BIF-member bank acquiring deposits from a bank-chartered, SAIF-member institution (a so-called "Sasser" bank);
- a Sasser bank acquiring deposits from a BIF-member bank; or
- a Sasser bank acquiring deposits from a thrift-chartered, BIF-member institution (a so-called "BIF HOLA" thrift).

It is important to remember that once a bank participates in an Oakar transaction, it becomes and remains an Oakar bank for Call Report reporting purposes and for insurance assessment purposes. As an Oakar bank, the bank is required to complete these three Schedule RC-O line

items for any quarter in which it acquires or sells deposits, whether by means of an "Oakar" transaction or a "regular" transaction, as appropriate.

Acquisition of an Existing Oakar Institution

In another common Oakar transaction, a BIF-member bank can become an Oakar bank by simply acquiring an existing BIF-member Oakar bank or a BIF HOLA Oakar thrift. (In addition, a Sasser bank can become a Sasser Oakar Bank by acquiring an existing Sasser Oakar bank or a SAIF-member Oakar thrift.) In such cases, the acquired Oakar institution's AADA becomes the AADA of the resultant Oakar bank. (Please refer to FDIC FIL-102-96, issued December 18, 1996.)

Please note: If an Oakar bank acquires an Oakar institution that is a member of the other insurance fund (for example, a BIF-member bank acquiring a SAIF Oakar thrift or a Sasser Oakar bank), the bank should contact the FDIC to discuss how to determine the correct amount to include in Line Item 8(a)2 of Schedule RC-O.

Reporting Requirements

The following instructions for each line item are intended to supplement information found in the Call Report instructions and to clarify the reporting requirements for each item. The information reported in these line items is specific to the quarter in which a transaction occurs and is reported only in that quarter. *If an Oakar bank has not acquired or sold deposits during a quarter, it should not complete these line items.*

Schedule RC-O Line Item 8(a)1

This line item is used to report all deposits acquired by the reporting bank from **any** insured depository institution (*regardless of insurance fund membership*) in the quarter ending with the filing of the Call Report. For example, all deposits acquired between January 1, 2004, and March 31, 2004, will be reported in this item of the March 31, 2004, Call Report.

The amount reported in this line item should be equal to the amount acquired on the date of the transaction and should include all deposits as defined by Section 3(l) of the Federal Deposit Insurance Act (FDI Act), which includes escrows and interest accrued and unpaid.

The amount reported in this line item will always be greater than, or equal to, the amount that is reported in Line Item 8(a)2.

Schedule RC-O Line Item 8(a)2

This line item is used to report all deposits acquired during the quarter by the reporting bank from any insured depository institution that *was insured by the insurance fund of which the resultant bank is not a member - the secondary insurance fund*. In other words, this item is used to report "Oakar" deposits (AADA) acquired in the quarter. This amount should also be included as part of the amount reported in Line Item 8(a)1- Line Item 8(a)2 is a subset of Line Item 8(a)1.

Please note: This line item is also to be used to report the AADA of an existing Oakar institution that has been acquired by the reporting bank. If the acquired Oakar institution is a member of the same insurance fund as the resultant bank, the resultant bank (the "reporting"

bank) should include in this line item the AADA shown on Line 46 of the acquired Oakar institution's last assessment invoice.

As mentioned previously, if the reporting bank has acquired an Oakar institution that is a member of the other insurance fund, the bank should contact the FDIC at the telephone number listed at the end of this letter to discuss how to determine the correct amount to include in this line item.

Again, the amount that is reported in this line item should be equal to the deposits that were acquired from the other insurance fund on the date of the transaction. In addition, the amount reported in this line item will always be equal to, or less than, the amount that is reported in Line Item 8(a)1.

Schedule RC-O Line Item 8(b)

This line item is used to report all deposits sold by the reporting institution in the quarter. The amount that is reported in this line item should be equal to the deposits that were sold on the date of the transaction.

Reporting Example

In the first quarter of the year, Bank A (a BIF-member):

- acquires four branches of Thrift Z (a SAIF-member). This acquisition is an Oakar transaction. On the date of the transaction, the acquired deposits equal \$143,500,000;
- acquires Bank B (a BIF-member Oakar bank) through a merger. On the date of the transaction, the acquired deposits equal \$750,000,000. Bank B's AADA as of its last invoice (using December 31 Call data) was \$350,000,000; and
- sells a branch to Bank C (a BIF-member bank). On the date of the transaction, the deposits sold equal \$50,000,000.

Bank A will complete its March 31 Call Report, Schedule RC-O, as follows:

Line Item 8(a)1 . . . \$893,500,000 (\$143,500,000 + \$750,000,000 = Total Deposits Acquired)

Line Item 8(a)2 . . . \$493,500,000 (\$143,500,000 + \$350,000,000 = AADA Acquired)

Line Item 8(b) . . . \$50,000,000 (= Deposits Sold)

The FDIC uses the information reported in these three line items when calculating an Oakar bank's AADA each quarter for assessment purposes. A "Quarterly Growth Adjustment Statement," showing the AADA calculation, is prepared by the FDIC for every Oakar bank and is included with the bank's quarterly assessment invoice.

If you have any questions regarding these line items, please contact the FDIC's Assessment Section at (800) 759-6596.

For your reference, FDIC Financial Institution Letters may be accessed from the FDIC's Web

site at www.fdic.gov/news/news/financial/2004/index.html. This FIL supersedes FIL-101-97, dated October 1, 1997.

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Distribution: All-Insured Banks

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342 or (703) 562-2200).